CHAPTER IV - CARRIER PAYMENT AND REIMBURSEMENT FOR THE AMBULANCE FEE SCHEDULE

OBJECTIVE

The objective of this chapter is to provide participants with an understanding of the new ambulance fee schedule payment provisions. At the end of this session, participants will obtain an understanding of:

- The payment components of the ambulance fee schedule
- The transition schedule and its impact on payment
- How to calculate payment using the new ambulance fee schedule

REIMBURSEMENT UNDER THE AMBULANCE FEE SCHEDULE

Upon implementation of the ambulance fee schedule, ambulance services covered under Medicare will be paid based on the lower of the actual billed amount or the ambulance fee schedule amount.

The fee schedule will be phased in over a five-year period. When fully implemented, the fee schedule will replace the current retrospective reasonable cost reimbursement system for providers and the reasonable charge system for ambulance suppliers. During the transition period, the supplier's payment will be based on a blended amount from the fee schedule and its current billing methodology (PM AB-01-185).

The payment amount under the fee schedule is determined as described in the next sections.

Ground Ambulance

For ground ambulance services, the fee schedule amount is calculated using:

1. A money amount that serves as a nationally uniform base rate called a "conversion factor" (CF) for all ground ambulance services;
2. A relative value unit (RVU) assigned to each type of ground ambulance service;
3. A geographic adjustment factor (GAF) for each Ambulance Fee Schedule area (geographic practice cost index (GPCI)),
4. A nationally uniform loaded mileage rate; and
5. For services furnished in a rural area, an additional amount for certain mileage.

Air Ambulance

For air ambulance services, the fee schedule payment is calculated using:

1. A nationally uniform base rate for fixed wing and a nationally uniform base rate for rotary wing;
2. A geographic adjustment factor (GAF) for each ambulance fee schedule area (GPCI);
3. A nationally uniform loaded mileage rate for each type of air service; and
4. A rural adjustment to the base rate and loaded mileage for services furnished in a rural area.

COMPONENTS OF THE FEE SCHEDULE

Ground Ambulance Fee Components

1. **Conversion Factor**
2. **Relative Value Unit**
3. **Geographic Practice Cost Index**
4. **National uniform mileage rate**
5. **Additional amount for mileage in a rural area**

Ground Ambulance Services

CONVERSION FACTOR

The conversion factor (CF) is a dollar amount used to develop a base rate for each category of ground ambulance service. The CF will be updated as necessary. The CF included in the final rule is $170.54.

RELATIVE VALUE UNITS

Relative value units (RVUs) set a numeric value for ambulance services relative to the value of a base level ambulance service. Since there are marked differences in resources necessary to furnish the various levels of ground ambulance services, different levels of payment are appropriate for the various levels of service.

The different payment amounts are based on levels of service. An RVU expresses the constant multiplier for a particular type of service (including, where appropriate, an emergency response). An RVU of 1.00 is assigned to the

BLS of ground service, i.e., BLS has an RVU of 1; higher RVU values are assigned to the other types of ground ambulance services, which require more services than BLS.

The Service Levels and their associated RVUs are listed below.

Service Levels	*RVU*
BLS	1.00
BLS- Emergency	1.60
ALS1	1.20
ALS-Emergency	1.90
ALS2	2.75
SCT	3.25
PI	1.75

GEOGRAPHIC ADJUSTMENT FACTOR (GAF)

The GAF is one of two factors intended to address regional differences in the cost of furnishing ambulance services.

The GAF for the ambulance schedule uses the non-facility practice expense of the geographic practice cost index (GPCI) of the Medicare physician fee schedule to adjust payment to account for regional differences. Thus, the geographic areas applicable to the ambulance fee schedule are the same as those used for the physician fee schedule.

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The location where the beneficiary was put in the ambulance ("point of pickup") establishes which GPCI applies. For multiple vehicle transports, each leg of the transport is separately evaluated for the applicable GPCI. Thus, for second (or any subsequent) leg of a transport, the point of pickup establishes the applicable GPCI for that portion of the ambulance transport.

For ground ambulance services, the applicable GPCI is multiplied by 70% of the base rate. The base rate for each level of ground ambulance services is the CF multiplied by the applicable RVU. The GPCI is not applied to the mileage factor.

Adjustment for Mileage for Services in Rural Areas

Ground ambulance services is $8.21 for the first 17 miles

MILEAGE

The Ambulance Fee Schedule provides a separate payment amount for mileage. The mileage rate for all types of ground ambulance services, except Paramedic Intercept, is $5.47 per loaded statue mile. Paramedic Intercept has no mileage payment.

Payment is adjusted upward for ambulance services that are furnished in rural areas. To account for the higher costs per ambulance trip that are typical of rural operations where fewer trips are made in any given period. For ground ambulance services, the rural adjustment is a 50% increase in the mileage rate to $8.21 per loaded statue mile for the first 17 miles, and a 25% increase in the mileage rate to $6.84 for miles 18 through 50.

The point of pickup, as identified by zip code, establishes whether a rural adjustment applies to a particular service. Each leg of a multi-leg transport is separately evaluated for a rural adjustment application. Thus, for the second (or any subsequent) leg of a transport, the zip code of the point of pickup establishes whether a rural adjustment applies to such second (or subsequent) transport.

Air Ambulance Fee Components

1. **National base rate for fixed and rotary wing**
2. **Geographic Practice Cost Index**
3. **National mileage rate for each type of air service**
4. **Rural adjustment for base rates and mileage**

Air Ambulance Services

BASE RATES

Each type of air ambulance service has a base rate. The base rate for a fixed wing ambulance service is $2,314.51. The base rate for a rotary wing ambulance service is $2,690.96. There is no CF applicable to air ambulance services. Also, air ambulance services have no RVUs. The rural adjustment is a 50% increase in both the base rate and all rural air mileage.

GEOGRAPHIC ADJUSTMENT FACTOR (GAF)

The GAFis described above in the discussion for ground ambulance services, however, it is applied differently in the case of air ambulance services.For air ambulance services, the applicable GPCI is applied to 50% of each base rate (fixed and rotary wing).

MILEAGE

Adjustment for Mileage for Services in Rural Areas

Fixed wing services is $9.86
Rotary wing service is $26.27

The fee schedule for air ambulance services provides a separate payment for mileage. The mileage rate for fixed wing ambulance services is $6.57 per loaded statute mile flown. The mileage rate for rotary wing ambulance services is $17.51 per loaded statute mile flown. The rural adjustment is a 50% increase of the urban mileage rate for all miles. The rural mileage rate for fixed wing is $9.86 per mile, and $26.27 for rotary wing. Please note that, unlike ground ambulance services, for air services an increase of 50% is also applied to the air base rate for rural transports.

OVERVIEW OF THE TRANSITION TO THE FEE SCHEDULE

Payment under the fee schedule will be phased-in over a five-year period. In the first year the fee schedule amount will comprise only 20% of the amount allowed from Medicare. The remaining 80% allowed by Medicare will be based on the supplier's reasonable charge. Thereafter, the fee schedule amount will increase each calendar year as a percentage of the allowed amount until it reaches 100% in year 5. Thus, in years 1, 2, 3, and 4, the amount allowed for an ambulance service will be the lower of the submitted charge or a blended rate that comprises both a fee schedule component and a supplier's reasonable charge. The phase-in schedule is as follows:

	Fee Schedule Percentage	Cost/Charge Percentage
2002	20%	80%
2003	40%	60%
2004	60%	40%
2005	80%	20%
2006	100%	0%

New Suppliers

New suppliers that have not billed Medicare in the past would be subject to the transition period rules. Carriers would determine a reasonable charge under the current rules.

Calculating the Blended Rate During the Transition

Suppliers have been paid based on a reasonable charge methodology.

For services furnished during the transition period, payment of ambulance services will be a blended rate that consists of both a fee schedule component and a component derived from the supplier's current payment methodology as follows:

1. The blended rate includes both a portion of the reasonable charge and the fee schedule amounts. For the purpose of implementing the transition to the fee schedule, the reasonable charge for each supplier is the charge for 2000 adjusted for each year of the transition period by the ambulance inflation factor as published by CMS.
2. Methods 3 and 4 may use supply codes A0382, A0384 and A0392-A0999, as well as J codes and codes for EKG testing, for dates of service during the transition period. These codes are paid based on their reasonable charge multiplied by the transition blend percentage applicable to the reasonable charge portion of the blend. There is no separate fee schedule component for these codes.

Transition and Payment for Suppliers

With the implementation of the fee schedule, the amount paid will be the lower of the submitted charge or the blended amount determined under the fee schedule. For services furnished in 2002, the blended amount is based on 80% of the reasonable charge plus 20% of the Ambulance Fee Schedule amount. For services furnished during 2003, the blended payment amount is based on 60% of the reasonable charge plus 40% of the Ambulance Fee Schedule amount. For services furnished during 2004 the blended payment amount is based on 40% of the reasonable charge plus 60% of the ambulance fee schedule amount. For services furnished during 2005 the blended payment amount is based on 20% of the reasonable charge plus 80% of the ambulance fee schedule amount.

During the transition period, suppliers using Methods 3 or 4 may bill codes:

1. **A0382, A0384 and A0392-A0999**
2. **J codes**
3. **EKG testing**

For methods 3 and 4, the HCPCS for items and supplies, as well as J codes and codes for EKG testing will be valid through 2005. Payment for such Method 3 and 4 HCPCS (which is available only to a current Method 3 or 4 biller) is based on the reasonable charge for such items and services (80% for 2002, 60% for 2003, 40% in 2004 and 20% in 2005). There is no separate fee schedule component to the payment amount for these HCPCS.

USING THE FEE SCHEDULE

CMS will provide each carrier with two files: a national Zip Code File and a national ambulance fee schedule file. Each carrier will program a link between the Zip Code File to determine the locality and the ambulance fee schedule file to obtain the fee schedule amount.

The fee schedule locality is based on the point of pickup as identified by the zip code that is coded on the claim form. The carrier will use the zip code point of pickup to crosswalk to the appropriate fee schedule amount.

Determining Fee Schedule Amounts

When an **urban zip code** is reported with a ground or air ambulance code, the amount for the service is determined by using the fee schedule amount for the urban base rate for that HCPCS. The mileage amount will be determined by multiplying the number of reported miles by the urban mileage rate.

When a **rural zip code** is reported with a ground HCPCS code the amount for the service will be determined by using the fee schedule amount for the appropriate base rate. The mileage amount will be determined by multiplying the first 17 loaded miles by 1.5 times the urban mileage rate, and miles 18 through 50 by 1.25 times the urban mileage rate. NOTE: For Air Ambulance, all rural miles are paid based on a fee schedule amount of 1.5 times the urban air mileage rate.

If a rural zip code is reported with an air HCPCS code, determine the amount for the service by using the fee schedule amount for the rural base rate. To determine the amount allowable for the mileage, multiply the number of loaded miles by the rural mileage rate.

In 2002, for claims with dates of service after April 1, 2002, the carrier will use 20% of the fee schedule amount as determined above and calculate a blended amount by adding 80% of the reasonable charge amount. Any unmet Part B deductible and coinsurance amounts will be applied.

Example 1

Reasonable charge *IIC	Reasonable new charge x 80%	Fee schedule	Fee schedule x 20%	Total allowed charge
$315.62	$252.50	$343.66	$68.73	$321.23

Ground ambulance, urban

A Medicare beneficiary residing in Baltimore, Maryland, was transported via ground ambulance from his/her home to the nearest appropriate hospital two miles away. An emergency service was required and an ALS assessment was performed. The level of service would be ALS1-Emergency.

Assuming that the beneficiary was placed on board the ambulance in Baltimore, it would be an urban trip. Therefore, no rural payment would apply. In Baltimore, the GPCI is1.038.

The payment rate is $321.23 (subject to Part B deductible and coinsurance requirements).

In 2002 , the ambulance fee schedule payment rate would be multiplied by 20% and added to 80% of the payment calculated by the current payment system. The payment rate for 2003 would be calculated by multiplying the ambulance fee schedule payment by 40% and adding the result to 60% of the current payment system amount. The payment rate for 2004 would be calculated by multiplying the ambulance fee schedule payment rate by 60% and adding the result to 40% of the current payment system amount. The payment rate for 2005 would be calculated by multiplying the ambulance fee schedule payment rate by 80% and adding the result to 20% of the current payment system amount. The payment rate for 2006 is the full fee schedule.

Coding

New HCPCS Coding:
A0427 (ALS1-Emergency) + A0425 (Mileage)

Old HCPCS Coding:
A0310 (ALS Emergency) + A0390 (Mileage)

Example 2

Reasonable charge *IIC	Reasonable new charge x 80%	Fee schedule	Fee schedule x 20%	Total allowed charge
$1,982.26	$1,585.81	$2,987.23	$597.45	$2,183.26

Air Ambulance, Urban

A Medicare beneficiary in Detroit, Michigan was transported from an accident site by air ambulance to the nearest facility 14 miles away.

An emergency service was required.

Urban zip code was reported on the claim.

The payment rate is $2,183.26 (subject to Part B deductible and coinsurance requirements).

In 2002, the ambulance fee schedule payment rate would be multiplied by 20% and added to 80% of the payment calculated by the current payment system. The payment rate for 2003 would be calculated by multiplying the ambulance fee schedule payment by 40% and adding the result to 60% of the current payment system amount. The payment rate for 2004 would be calculated by multiplying the ambulance fee schedule payment rate by 60% and adding the result to 40% of the current payment system amount. The payment rate for 2005 would be calculated by multiplying the ambulance fee schedule payment rate by 80% and adding the result to 20% of the current payment system amount. The payment rate for 2006 is based solely on the full fee schedule.

Coding

New HCPCS Coding:
A0431 (Rotary Wing, Conventional) + A0436 (Mileage)

Old HCPCS Coding:
A0040 (Helicopter Transport) + Local Code/Range Code (Mileage)